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*CAPITAL MARKETS*

# What is Stefan Qin's edge in crypto?

Stefan Qin has built Virgil Capital into one of crypto's biggest quant firms while management fees. He's 23.

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"I think we're the biggest, or one of the biggest crypto quant funds," Stefan gathering assets is not the mission. "I don't really care."

That's because Virgil Capital, the New York-based trading firm he founded i was 19 years old, doesn't take management fees. It's paid purely on perform means capping fund size to preserve returns.

"We will never charge management fees. If I have to return money, I will," Q noting that other arbitrageurs have collapsed because they got complacent.

"Those firms are good at fund raising," he said. "They're opportunistic. We' long term. Few firms have that kind of foresight. And once they start chargi fees, it's hard for them to stop. It's easy money."

*DigFin* has yet to meet a hedge fund in the finance world that doesn't also a off its management fees. Virgil isn't tempted?

"We never try to make easy money," Qin insisted.

## Never-ending arb

Stefan Qin thought he was going to become a physicist. He is a math prodig marks at university in Australia, but fell in love with the crypto industry and vocation.

His firm, Virgil Capital, has quietly endured in a space better known for firm bust. It's longevity is due in part to his notion of what a quant firm ought to

As a first mover in the industry, he's built a sustainable competitive advanta Virgil to do well just off performance fees.

In some respects, Virgil is making money – maybe not easily, but confidentl anomalies in crypto markets and a bit of good luck.

First, the anomalies.

Qin describes crypto as defined by two things: it is global, yet it is fragmente

The industry's infrastructure is also unsophisticated, but that will change. W
is the distribution of trading across many exchanges around the world, each
standards, connectivity, and market participants.

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This makes it ideal for high-frequency arbitraging, if a trader can connect to

As a university student, Qin dabbled in betting on crypto price movements.
trader," he said.

But while doing an internship in China with OKCoin (rebranded now as Malt
he built a platform between two venues, one in China and the other in the U
firm to arbitrage.

The fragmented nature of crypto means the same currencies – Bitcoin, Ethe
on all of these exchanges but at different prices.

He realized that his internship project was actually a business unto itself. Qi
university in Australia to move to New York and build Virgil Capital. "The cı
fundamentals will persist," he said.

## Taking it to the bank

Now comes the bit of luck.

To transform Virgil into a mega arb fund, he managed to connect to 41 exch
countries. That's a huge feat, as each exchange requires a lot of work to inte

build enough risk management to compensate for the lack of a custody solut
HFT demands, and hire traders able to navigate both the worlds of finance a

But because Qin began this in 2016 and 2017, before the industry went into
frenzy, he could find enough banks in a given jurisdiction willing to give hin

> ***WE NEVER TRY TO MAKE EASY M***
>
> *Stefan Qin, Virgil Capital*

He says he invests a lot of time in maintaining good relationships with those
which got cold feet when crypto and its related scams hit the headlines.

Qin calls this is his secret weapon: it's now become difficult for crypto busin
bank accounts. He says he's encountering a lot of friction as he tries to ente
markets.

In short, Virgil, perhaps naively, managed to secure the bank accounts to un
strategies. It will be very difficult for other firms to replicate that; even Virg
expand. But this access underpins its ability to arbitrage among many venue
huge edge in attracting funds – to the extent that it doesn't need to charge n
which in turn attracts more clients.

## Durable dynamics

The firm's arbitrage fund now has about $112 million under management ar
record of annual distributions of up to 25%.

Because Virgil cannot grow AUM without impacting performance (the total
is about $237 billion), he had to hand back some investors' money. Those in
come back. So he launched a multi-strategy fund, both to provide Virgil with
strategy, and also as a destination for capital that can't enter the arb fund. T
fund now runs about $27 million and can scale up to $75 million.

> ***IT'S NOT ENOUGH TO BE A GOOD TRADER***
>
> *Stefan Qin, Virgil Capital*

Is he worried that a firm built on market inefficiencies can find its returns di entrants?

Qin says he initially thought hedge funds, prop shops and family offices wou market and make crypto more efficient. But it hasn't happened.

"They became my clients instead," he said.

The finicky world of crypto is too expensive to get into. The learning curve t – a year of paying traders to lose bets. It's a hard sell for financial firms' inv shareholders.

This may explain why the industry has seen plenty of banks enter crypto as set up their own exchanges (as DBS has just announced), but not launch fun strategies.

That, plus the natural dynamics of crypto, seem likely to keep quant strategi they risk-manage well.

## Tradepreneur

Qin's biggest challenge is finding the right people to join the firm. He now e people.

He's interviewed or trialed many people out of big funds like Citadel, Millen Sigma.

He respects their financial acumen, noting that he's never worked in the fin acknowledges it's not a world he knows: "I dropped out of uni."

But the embryonic nature of crypto means traders from such places can't op because they're used to sophisticated custody, fund administration, account other processes that support trading.

"It's not enough to be a good trader," Qin said, because people have to invei go along. "You also need to be an engineer, a risk manager, and an accounta an entrepreneur."

He does believe, however, that firms like Virgil are creating bridges between finance and crypto.

But the culture is different. Hedge funds teach their people to compete for b eat dog. Crypto is still in a building phase, and such rivalries are counterpro

"There's too many challenges in crypto," he said. "We need to collaborate."

And he wants to keep people focused just on trading, and not get distracted opportunities. Firms in crypto can do far more than they might in finance: b market maker, a broker, an investment bank, all in one.

For Qin that risks distraction. "Virgil is the longest-running quant in crypto do trading," he said.

He's 23 now and running one of the biggest funds in blockchain finance. Sui tempted by detours?

"My parents wanted me to be a physicist," he said. "They weren't too happy had quit uni to do this crypto thing. Who knows, maybe someday I'll comple what I really want to do is trade crypto."

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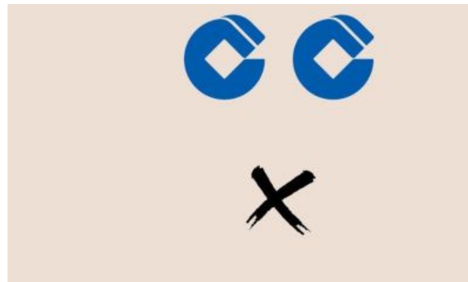

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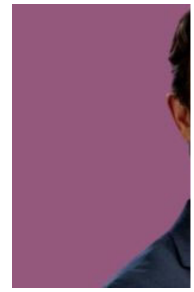

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